

TRADE IN FARM PRODUCTS:

- FACTS
- PRINCIPLES
- EFFECTS

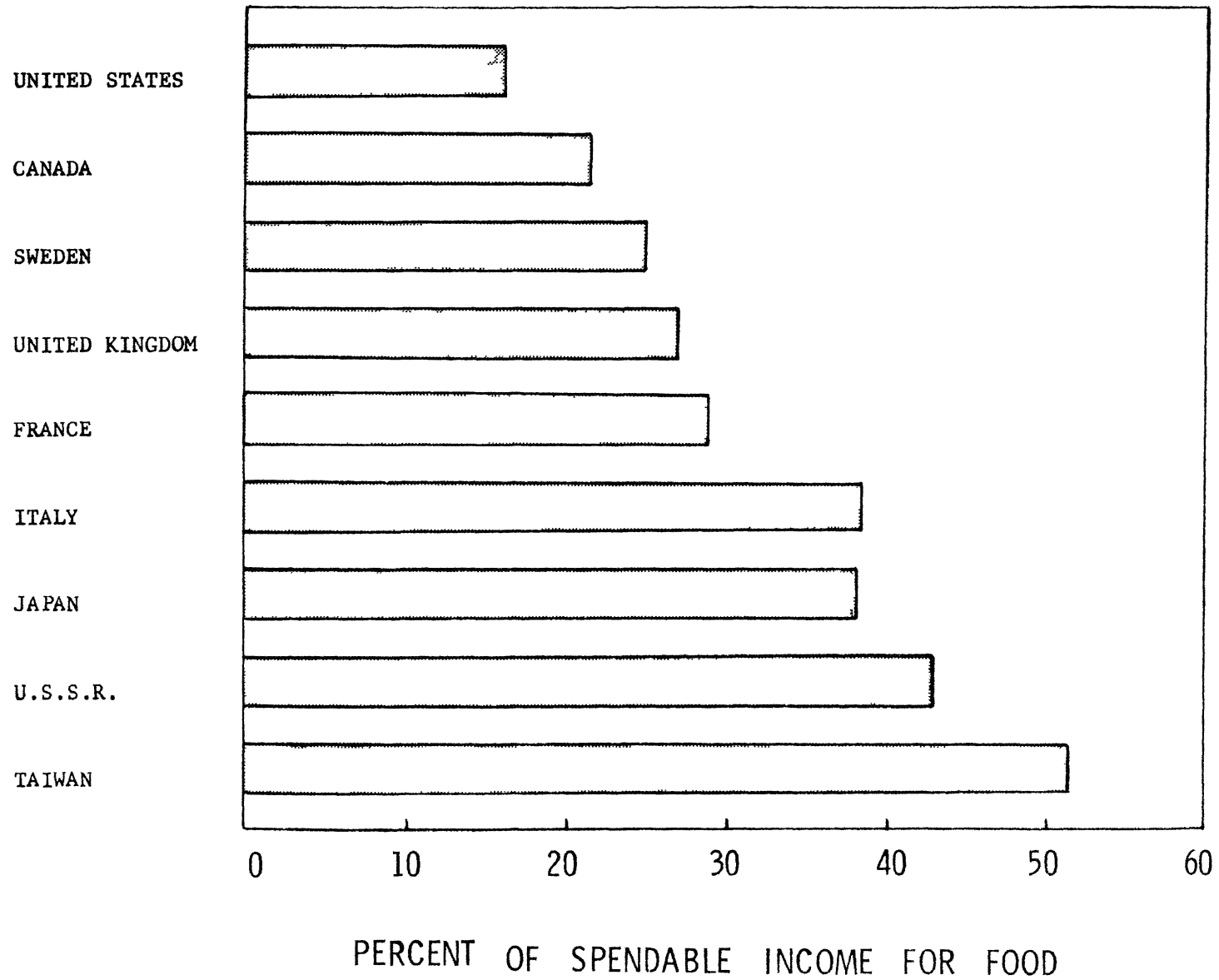
by

WALLACE BARR, EXTENSION ECONOMIST

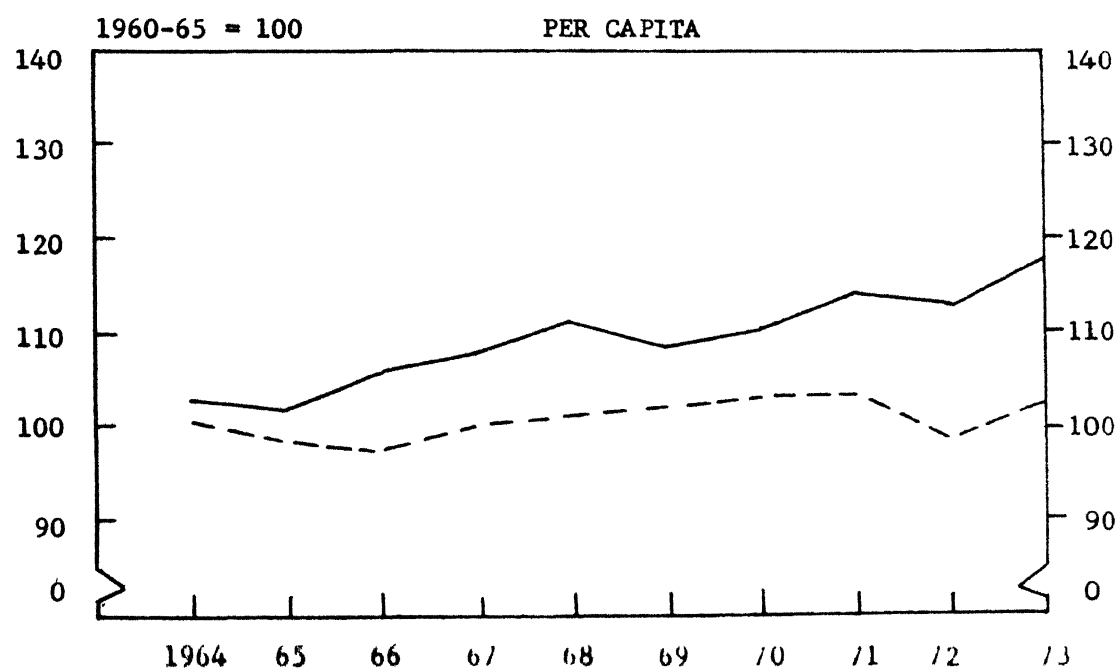
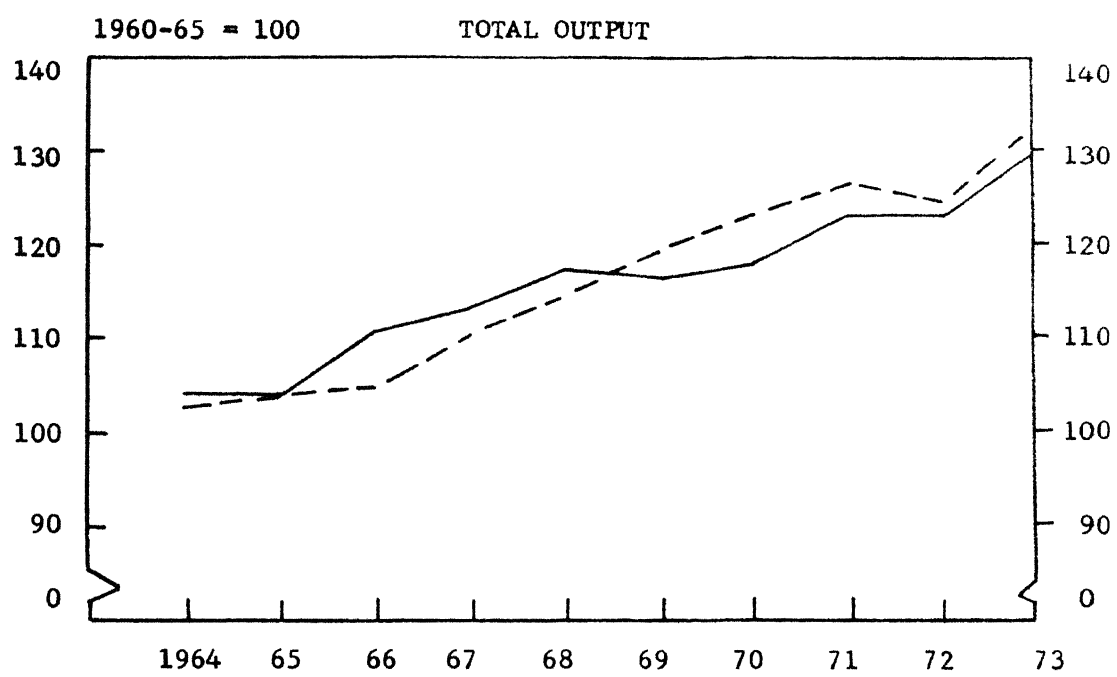
DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND RURAL SOCIOLOGY

OHIO STATE UNIVERSITY

## COST OF FOOD AROUND THE WORLD



## FOOD PRODUCTION IN DEVELOPED AND LESS DEVELOPED COUNTRIES



DEVELOPED —————

LESS DEVELOPED - - - - -

## WORLD FACTS AND FIGURES

Most of the World is Poor

- a. The U.S. has 40 percent of the world's income.
- b. The U.S. and Europe together have two-thirds of the world's income.
- c. BUT the U.S. and Europe together have only 21 percent of the world's population. THEREFORE, the remaining 80 percent of the world's population must share one-third of the world's income.

<u>Area</u>	<u>Annual Per Capita Income</u>	<u>Area</u>	<u>Annual Per Capita Income</u>
United States	\$2,700	South East Asia	\$200
Western Europe	1,300	Africa	100
Latin America	300	South Asia	75
Middle East	300		

Most of the World is Ill Fed and Ill

- a. A minimum health standard requires a daily consumption of 2,650 calories per person.
- b. The U.S. calorie consumption is 3,100 per person.
- c. The calorie consumption of Africa, Asia, and Latin America averages about 2,200, OR 17 percent below the minimum health level.
- d. Average life expectancy of people in Africa, Asia and Latin America is under 40 years.

Distribution of Population and Food Supplies

	<u>% of Population</u>	<u>% of Food Supply</u>
Far East	52.4	27.3
Near East	4.2	4.2
Africa	7.3	4.3
Latin America	6.8	6.2
Europe	21.9	34.5
North America	6.7	22.0
Oceania	0.5	1.3

Most of the World is Illiterate

- a. Literacy in the U.S. is 98 percent and 95 percent in developed countries.
- b. Literacy in Africa, Asia, and Latin America averages 35 percent.
- c. Less than 50 percent of the world's children never attend school.

Most of the World is Not Aligned With the United States

<u>Bloc</u>	<u>% World's Population</u>	<u>% Land Area</u>
West (inc. U.S.)	21	27
Communist countries	35	26
Underdeveloped countries	44	47
United States	6	7

Most of the World's Population Lives on Farms

<u>Area</u>	<u>Percent</u>	<u>Area</u>	<u>Percent</u>
Belgian Congo	85	Mexico	50
Thailand	85	U.S.S.R.	50
Bolivia	70	Argentina	25
India	70	Western Europe	20
Pakistan	65	United States	6
Brazil	50		

Assembled by Wallace Barr, Extension Economist, Ohio State University.

WHO TRADES FARM PRODUCTS WITH WHOM ?

EXPORTED FROM:	IMPORTED BY:			TOTAL
	DEVELOPED	LESS DEVELOPED	COMMUNIST BLOC	
DEVELOPED	42 %	10 %	34 %	55 %
LESS DEVELOPED	24	6	4	34
COMMUNIST BLOC	5	1	5	11
WORLD	71	17	12	100

NOTE: FOR 1972 FISCAL YEAR: EXCLUDES U.S.S.R. GRAIN SALES IN FISCAL 1973

## WORLD ENERGY SHORTAGES AND U.S. FARM TRADE

### -- POSITIVE EFFECTS

RAPIDLY RISING FOOD PRICES: FEW BARRIERS

EXPAND LIVESTOCK: MORE GRAIN

SHORTAGES OF MAN-MADE FIBERS: MORE COTTON

SHORTFALL OF FERTILIZER: SELL GRAIN

### -- NEGATIVE EFFECTS

CURTAILED GROWTH AND INCOMES

IMPROVING DOLLAR MEANS PRICE RISES

HIGHER FREIGHT RATES

MASSIVE BALANCE OF PAYMENTS DEFICITS

### -- WEATHER UNCERTAINTIES??







U.S. TRADE WITH SOME INDUSTRIALIZED COUNTRIES (Millions of Dollars)

Calendar Year	AUSTRALIA		CANADA		JAPAN		MEXICO		EC COUNTRIES	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
1960	\$ 423	\$ 142	\$ 3,810	\$ 2,901	\$ 1,447	\$ 1,149	\$ 831	\$ 443	\$ 3,974	\$ 2,263
1961	320	184	3,643	3,270	1,739	1,055	813	538	3,549	2,226
1962	408	290	3,833	3,660	1,415	1,358	805	578	3,631	2,446
1963	437	317	4,119	3,829	1,697	1,498	827	594	3,944	2,516
1964	638	280	4,774	4,239	1,913	1,764	1,092	643	4,576	2,828
1965	797	311	5,643	4,832	2,080	2,414	1,106	638	5,252	3,322
1966	653	395	6,661	6,125	2,364	2,963	1,180	750	5,504	4,125
1967	893	406	7,165	7,107	2,695	2,999	1,222	749	5,643	4,453
1968	872	488	8,072	9,005	2,954	4,054	1,378	910	6,127	3,890
1969	855	588	9,137	10,384	3,490	4,888	1,450	1,029	7,005	5,798
1970	986	611	9,079	11,092	4,652	5,875	1,704	1,219	8,423	6,609
1971	1,004	619	10,365	12,692	4,055	7,259	1,620	1,262	8,381	7,522
1972	843	807	12,415	14,909	4,965	9,064	1,982	1,632	8,840	8,980

NOTE: Agricultural and Industrial Trade Combined.

SOURCE: Statistical Abstract of U.S.

# **AGRICULTURAL COMMODITIES TRADED WITH AUSTRALIA**

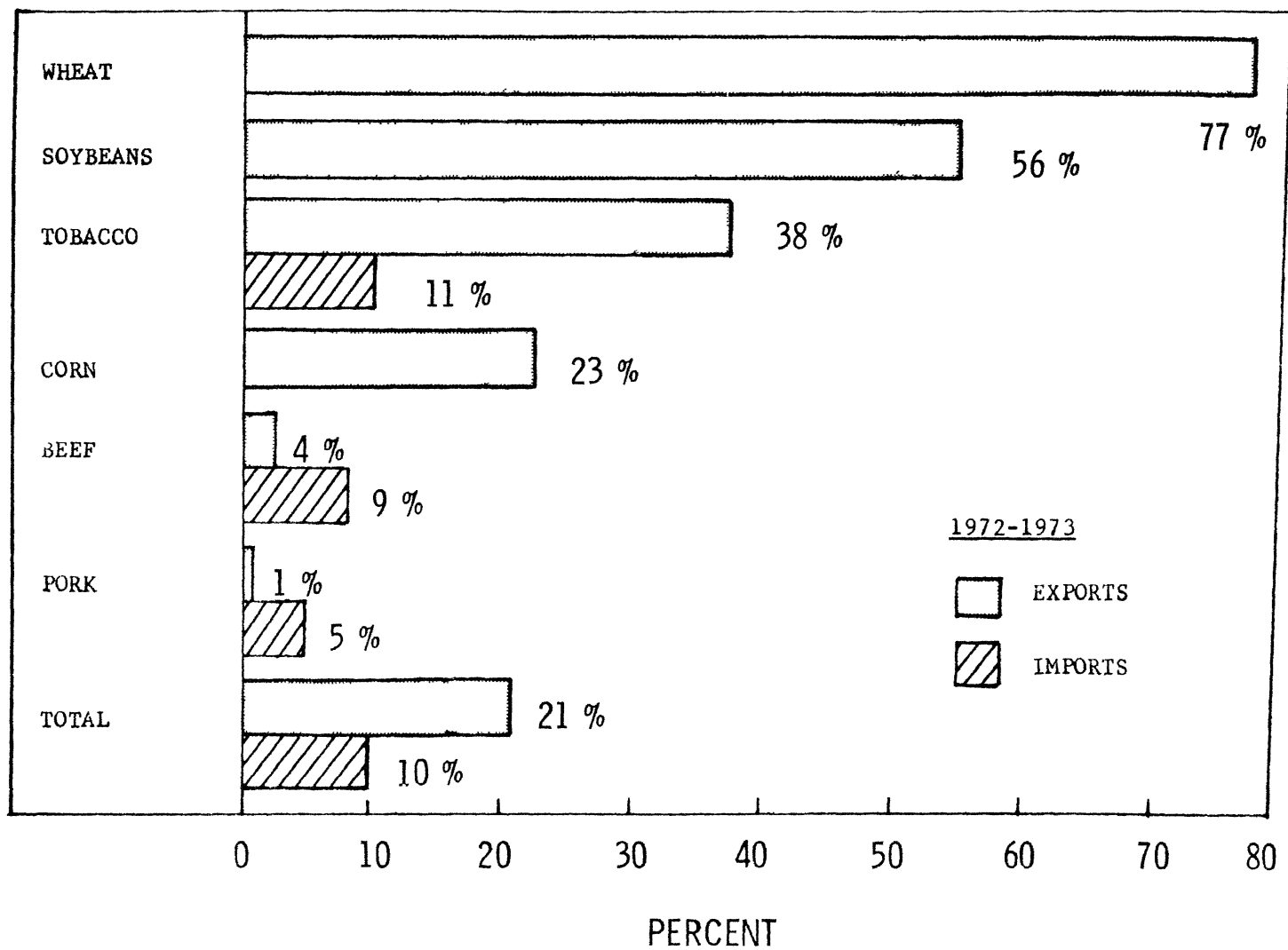
U.S. IMPORTS		U.S. EXPORTS	
Commodity	Value	Commodity	Value
Animals & Products	\$454,135,000	Tobacco	\$ 16,313,000
Sugar	29,489,000	Other	10,783,000
Wool	19,531,000	Fruit & Vegetables	2,691,000
Other	19,426,000	Oilcake & Meal	1,812,000
Fruit & Vegetables	9,686,000	Seeds	1,777,000
Casein & Casein Glue	8,946,000	Animal Materials	1,683,000
Total	\$541,213,000	Nuts	1,576,000
		Total	\$ 36,635,000

# **AGRICULTURAL COMMODITIES TRADED WITH JAPAN**

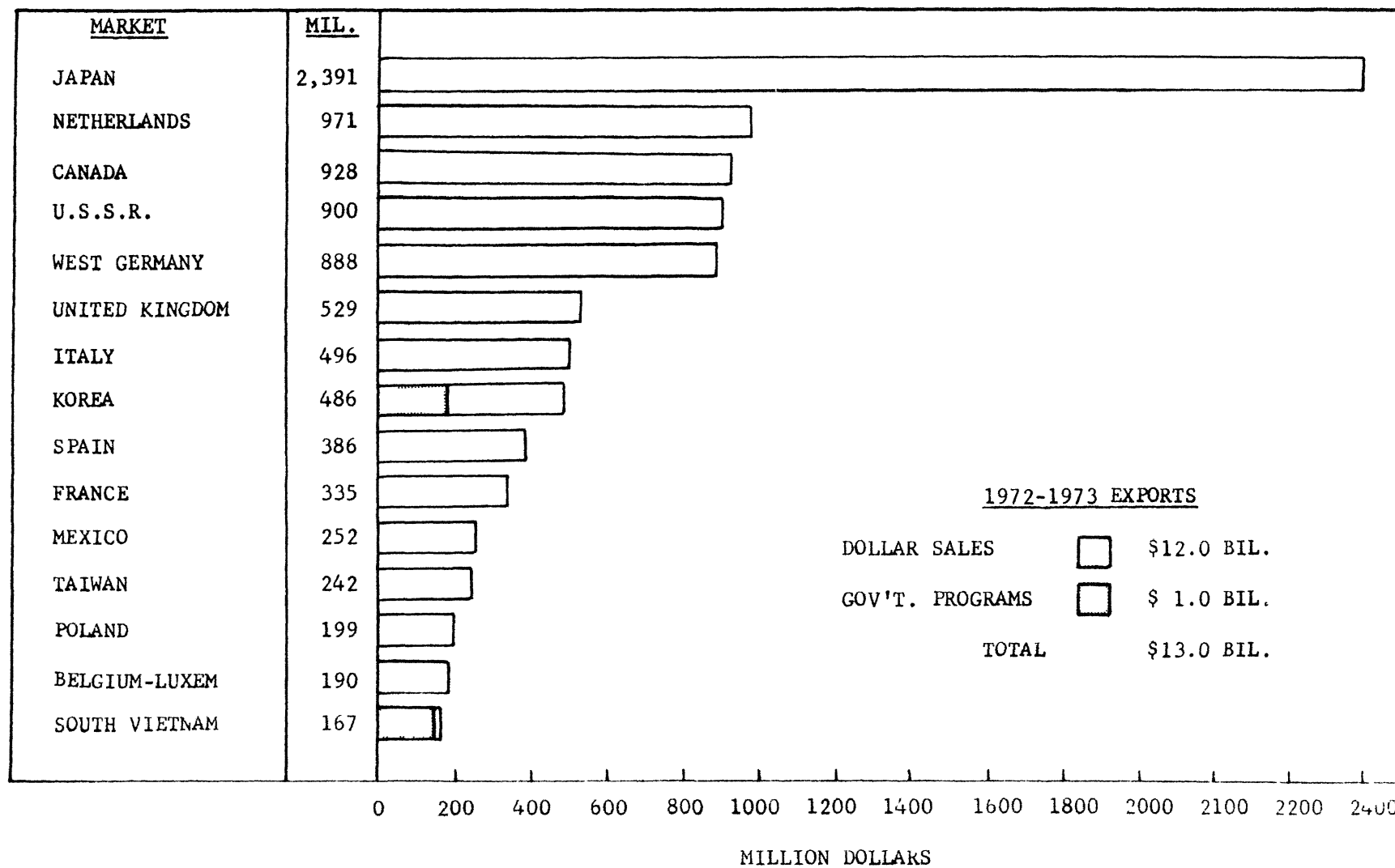
U.S. IMPORTS		U.S. EXPORTS	
Commodity	Value	Commodity	Value
Fruit, Nuts & Vegetables	\$ 22,557,000	Soybeans	\$ 604,253,000
Other	12,915,000	Corn	379,066,000
Misc. Food Preparations	8,613,000	Other	295,077,000
Biscuits & Pasta	5,905,000	Wheat	276,672,000
Wine, Cider & Ale	4,416,000	Cotton	194,663,000
Sauces & Seasonings	3,575,000	Cereals	170,124,000
Total	\$ 57,918,000	Hides & Skins	164,956,000
		Tobacco	90,661,000
		Fruit, Nuts & Vegetables	80,368,000
		Fats & Tallow	35,077,000
		Total	\$ 2,290,917,000

SOURCE: U.S. Foreign Agricultural Trade Statistical Report, Fiscal Year, 1973

# EXPORTS AS PERCENT OF U.S. OUTPUT

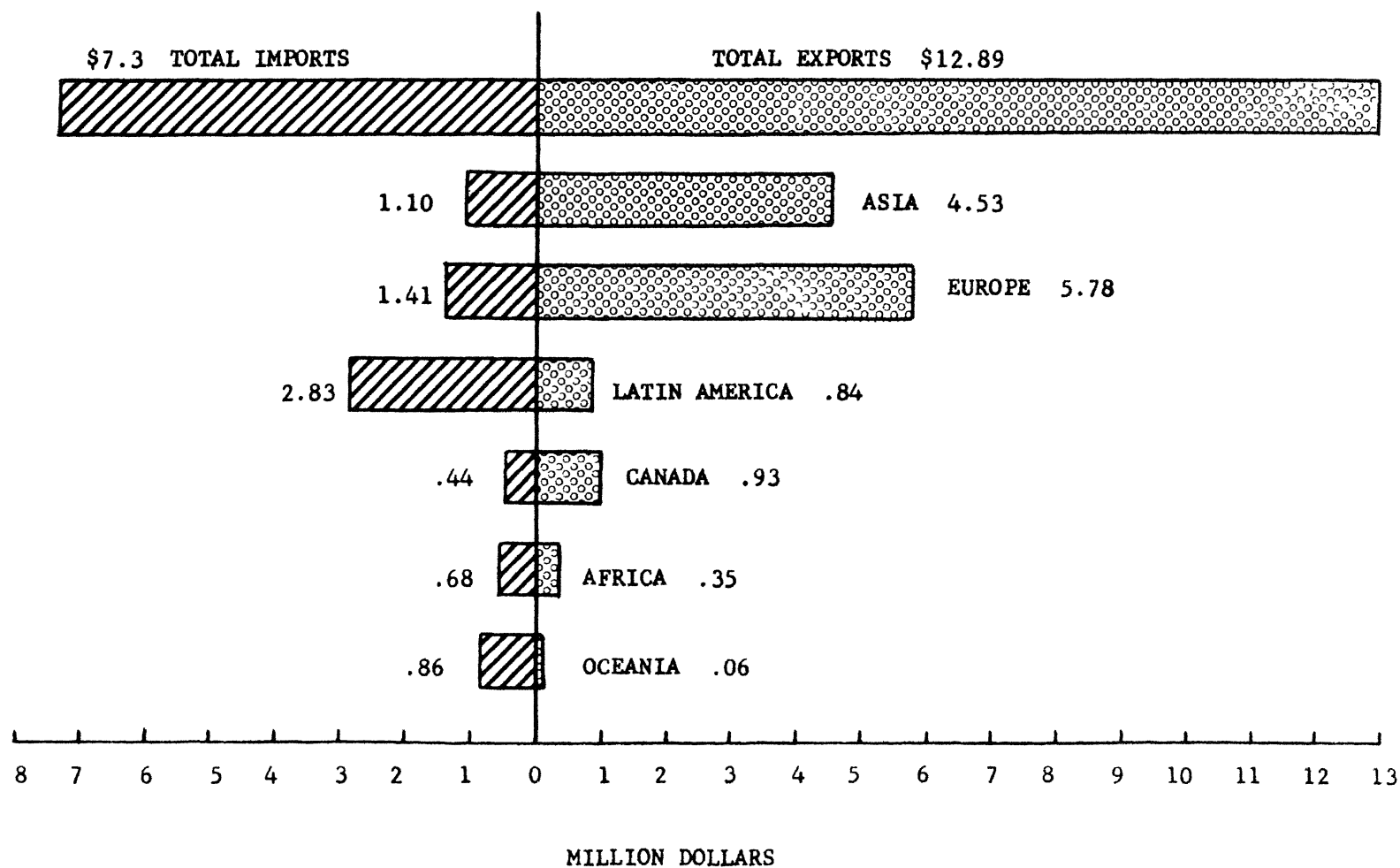


# 72 % OF U.S. AGRICULTURAL EXPORTS GO TO 15 MARKETS

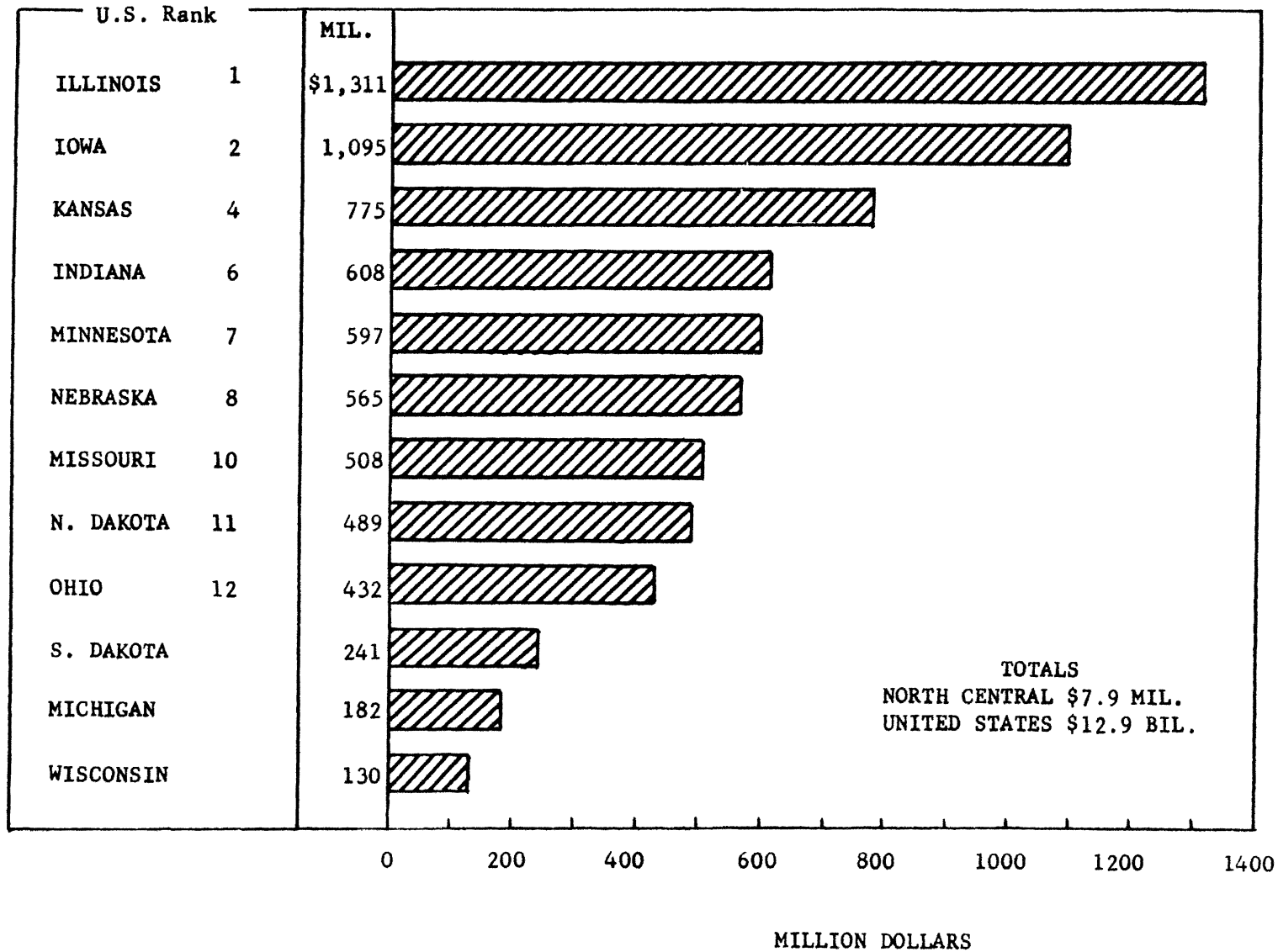


# SIX MAIN TRADE ROUTES FOR U.S. FARM PRODUCTS

(FISCAL YEAR 1973)



# AGRICULTURAL EXPORTS BY NORTH CENTRAL STATES (FISCAL YEAR 1973)



## EFFECTS OF DEVALUATION

REVALUATION MEANING:

CHEAPER U.S. PRODUCTS

MORE INDUSTRIAL EXPORTS

EXPANDS AGRICULTURE SALES

HIGHER PRICED IMPORTS

FEWER CARS, ETC.

BUILD PLANTS & INVEST IN U.S.

OTHER NATION DEVALUE

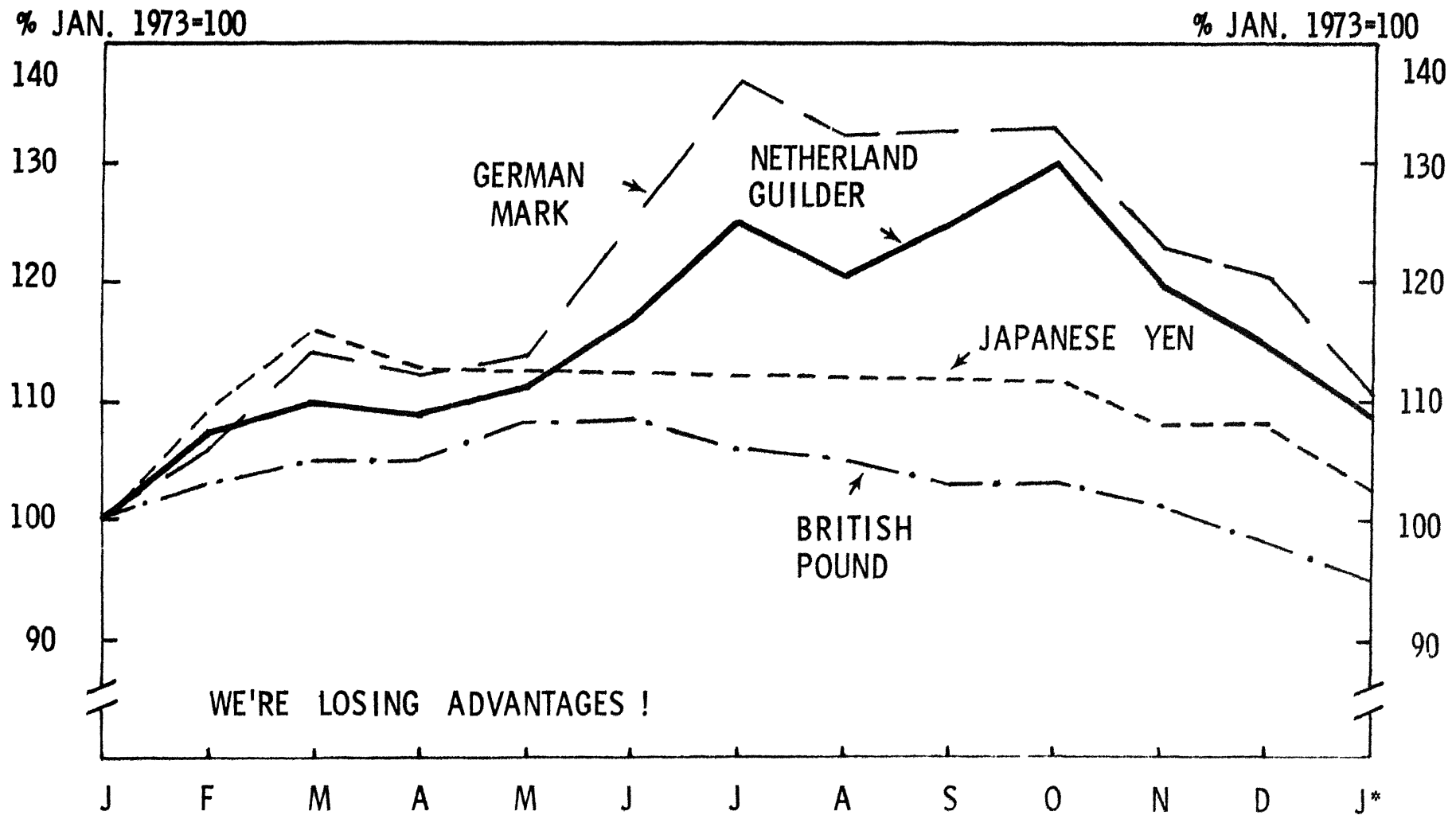
U.S. LOSES ADVANTAGES

SUMMARY

AGRICULTURE EARNS FOREIGN EXCHANGE

BUY ENERGY: JOBS, HOMES, CARS

# FOREIGN CURRENCIES VS. THE DOLLAR (\$)



\* BASED ON JANUARY 7, 1974, EXCHANGE RATES.



RUSSIAN GRAIN PURCHASE

EXPORTS IN 1972-73                      +\$ 6 BIL. OVER 1971-72

SALES TO U.S.S.R.                      + \$ 1.1 BIL.

QUANTITY:	WHEAT	440 MIL. BU.
	CORN	280 MIL. BU.
	SOYBEANS	40 MIL. BU.

REASONS:                      WEATHER  
                                    ECONOMIC SYSTEM  
                                    CHANGING PRIORITIES

FUTURE TRADE:

U.S.S.R.

EXPAND BUT ERRATIC

1973-74: VALUE HALF OF 1972-73

PEOPLES REPUBLIC OF CHINA

EXPAND

1973-74 OVER \$ 1.1 BILLION

SOME TRADE PRINCIPLES

-- TRADE SOMETHING WE HAVE FOR SOMETHING WE  
WOULD RATHER HAVE

-- WHY TRADE ?

CAN'T PRODUCE

BUY CHEAPER

BETTER QUALITY

-- MUTUALLY ADVANTAGEOUS

-- REASONS FOR TRADE

BETTER LIVING

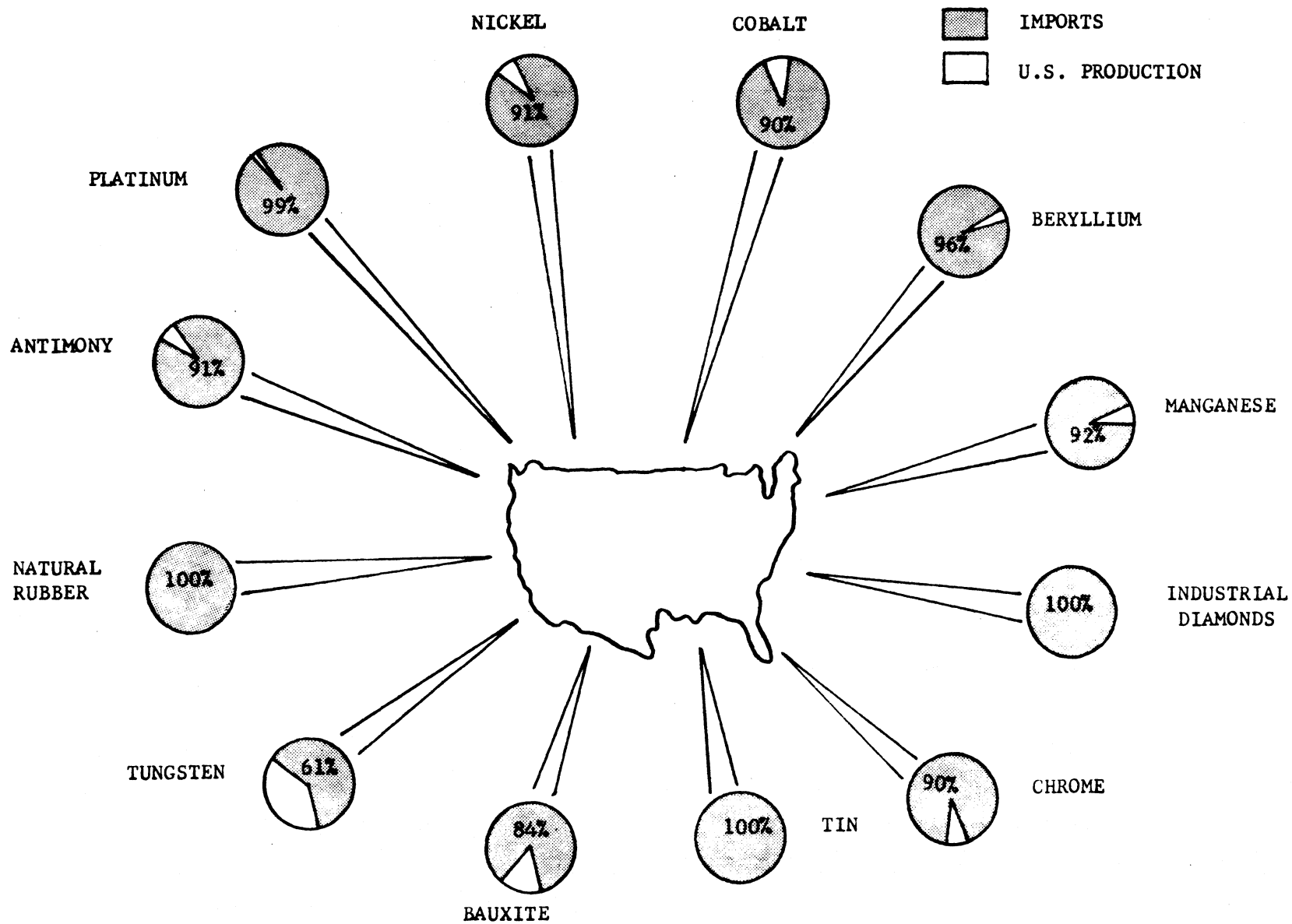
MORE JOBS

BROADEN MARKETS

NOT SELF SUFFICIENT: INTERDEPENDENT

-- MUST BUY TO SELL

# ESSENTIAL STRATEGIC MATERIALS FROM OTHER FREE NATIONS

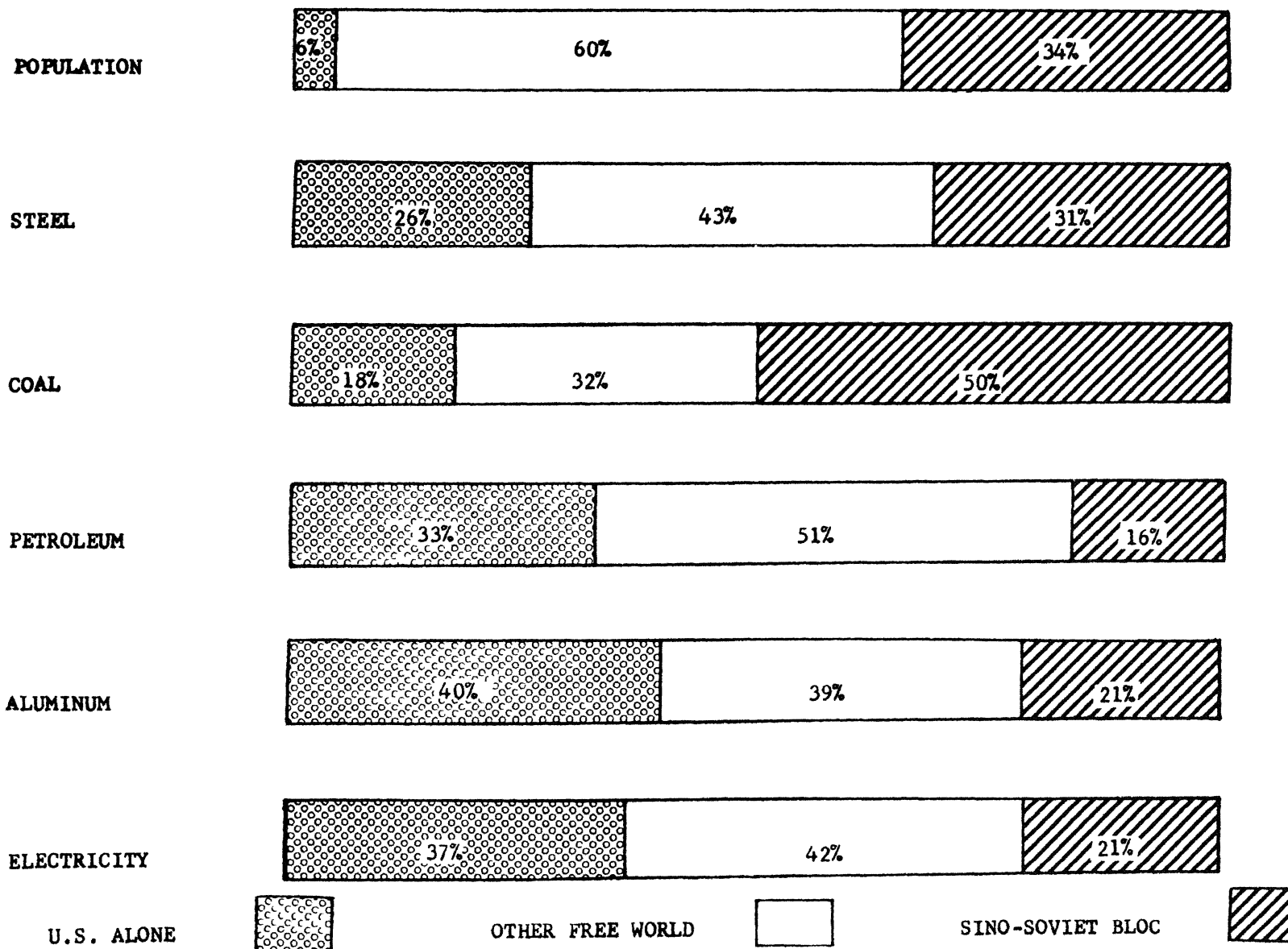


FOREIGN TRADE AND LABOR IN U.S.

<u>EXPORTS</u>	<u>MILLION</u> <u>PEOPLE</u>	
GOODS	2.4	
SERVICES	<u>.5</u>	{ .5 AGRICULTURE 2.4 INDUSTRY
TOTAL	2.9	
DISTRIBUTION OF IMPORTS	1.0	
SUPPLY WORKERS	<u>1.0</u>	
TOTAL	4.9	
<u>IMPORTS</u>		
WORKERS RELEASED	.5	
BENEFIT-COST RATIO	10:1	

SOURCE: DEPARTMENT OF LABOR

# WORLD RESOURCES



## BARRIERS TO FOREIGN TRADE

1. Tariffs--A tax or import duty on goods at a set rate brought into a country. They are widely used but do not generally eliminate trade since consumers can purchase goods if they are willing to pay the added price.
2. Variable import levy--A form of tax or import duty where the rate varies by the difference between the domestic price and the value of the goods at the port of entry into the country.
3. Quotas--A quantitative limitation on the amount of goods that is permitted to enter a country.
4. Embargoes--A complete prohibition of trade.
5. Licenses--Government permission to individuals to do business under specified terms and conditions.
6. Exchange controls--A direct government control of purchase and sale of foreign currency in which individuals may be required to state the use of the funds.
7. State trading--The government controls the purchase and sale of goods.
8. Bilateral Trade Agreements--Government agreements to exchange specified goods within stated totals between specified countries.
9. Preferences--The granting of lower than usual tariffs between countries usually because of economic or political reasons.
10. Mixing regulations--A requirement that a minimum quantity of domestically produced materials must be used for home sale.
11. Interpreting specifications--The arbitrary decisions of customs officials necessary on tariff classifications and rates on different products (10¢ of lace on a dollar worth of cotton goods).
12. Buy-at-home--Legislation prohibiting purchase of foreign produced goods unless they are not available or domestic prices are "unreasonable."

## FACTORS IN EXPANDING U.S. AND WORLD FARM MARKETS

### WORLD SITUATION

POOR WEATHER: FISHING

MORE PEOPLE: + 2%/YEAR

RISING INCOMES: + 3%/YEAR

BETTER DIETS: MEAT

DEVALUATION INCREASED TRADE

\$9 BIL. to \$17 BIL. (1973 CALENDAR)

1/6 TO U.S.S.R.: 5/6 TO REST OF WORLD

### DOMESTIC FACTORS

POOR 1972 HARVEST WEATHER: 1973 PLANTING

ENVIRONMENTAL CONTROLS: DES

INCOMES: FOOD STAMPS: SOCIAL SECURITY

BOYCOTTS: PRICE CEILINGS

LESS MEAT: MORE OTHER FOODS

HAD GRAINS: FACILITIES

### RESULTS

EXPANDED ACREAGE

MORE INPUTS: JOBS

HIGHER FOOD PRICES

HIGHER FARM INCOMES

TRADE FARM PRODUCTS FOR ENERGY

& MINERALS